

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury
Director, Exempt Organizations

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Contact Person:
Identification Number:
Telephone Number:
Employer Identification Number:
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4945.04-04

Legend:

B=
C=
D=
E=
F =
G =
x=
y=

Dear :

This is in reference to your letter of May 13, 2008 requesting advance approval of your grant procedures under section 4945(g)(1) of the Internal Revenue Code.

The information submitted indicates that the grants funded by B, will be administered, supervised, and paid out by C. C is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization. The name of your scholarship program is D. D will award two types of scholarships: F & G. Two or five of F, worth x, will be awarded. Up to 180 of G, worth y, will be awarded annually. F is renewable annually for four years; and G is not automatically renewable, but winners will be allowed to repeat the application process in subsequent years to be considered for additional awards (eligible to receive a maximum of four awards). The number of F and G will vary from year to year based on the number of qualified applications received. Up to 200 total of F and G will be awarded.

Under the terms of an agreement, you will make annual contributions to C to fund scholarships for qualified dependent children of E's employees, including current full time employees (30hrs/wk) Grade 17 and below, with a minimum of two years of service to E at

application deadline, and employees who left E because of death, disability or retirement. Dependents are defined as unmarried children (natural or legally adopted or stepchildren), age 25 and under who are living in the employee's household 50 percent of the time or are primarily supported by the employee or who are full time students primarily supported by the employee. E employs approximately 3200 employees in the United States.

A qualified applicant must be a student who plans to enroll or is currently enrolled in an undergraduate or graduate course of study at an accredited college, university, or vocational-technical school and has been accepted by that institution for the year for which the scholarship is awarded.

In addition, applicants who wish to be considered for the F must have declared a major in mathematics, engineering, physical or life science or healthcare. Applicants who apply for the F but are not selected will automatically be considered for the other annual scholarships.

D will be publicized via various intra-office postings, including posting on E's intranet homepage.

Winners of D will be selected on the basis of high school grades (or undergraduate grades, if applicable), subjects taken, rank in class, scores on college admission tests, and various other qualifications such as community and other extracurricular involvement.

For High School Applicants

Academic Performance: Weighted 66%

Grade Point average ----- 22%

ACT/SAT Scores ----- 22%

Class Ranking ----- 22%

Leadership & Activities: Weighted 33%

Working Experience

Participation in school and community activities

Statement of career and educational aspirations

Unusual personal or family circumstances

For College Applicants

Grade Point Average: Weighted 66%

Leadership and Activities: Weighted 33%

Working Experience

Participation in school and community activities

Statement of career and educational aspirations

Unusual personal or family circumstances

For F, the renewing recipients must annually submit their current transcripts and their registration for the upcoming academic year. A "B" average (3.0) for the academic year is required to renew the scholarship.

Once a student has been selected for an award, payment of that award will not be contingent upon continued employment of his/her parent by E.

C will prepare and furnish application forms, receive all applications, notify the recipients of the award, confirm enrollment in an educational institution, make payment of the award, and supervise and investigate the use of the grant funds by the recipients in their educational programs. Recipients are determined solely by C utilizing selection criteria you provided as aforementioned before.

The number of new awards in any year will not exceed 25 percent (after applying the rounding convention of the IRS Rev. Proc. 94-78) of the number of employees' children who: (i) were eligible; (ii) were applicants for such grants; and (iii) were considered by the selection committee in selecting the recipients of grants in that year.

E's employee relations department will monitor B's distribution requirement to ensure compliance.

The scholarships will not be used as a means to recruit employees for E nor will a grant be terminated if the employee leaves. Scholarships will only be awarded to students who plan to enroll in an institution that meets the requirements of section 170(b)(1)(A)(ii) of the Code. C will supply statistical information on applications received and grants made, which will enable you to maintain the records required by Rev. Proc. 76-47, 1976-2 C.B. 670. You will ensure compliance with the percentage tests under section 4.08 of Rev. Proc. 76-47 in the aggregate with respect to your other scholarship programs available to the same individuals.

Selection of grant recipients under B will be made by a committee of individuals, chosen and directly solely by C, who are knowledgeable in the education field and who have the background and knowledge to properly evaluate the potential of applicants. The selection committee will be totally independent and separate from B and E.

Section 4945 of the Code provides for the imposition of taxes on each taxable expenditure of a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of section 4945(g).

Section 4945(g)(1) of the Code provides that section 4945(d)(3) shall not apply to an individual grant awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance by the Secretary, if it is demonstrated to the satisfaction of the Secretary that the grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational institution described in section 170(b)(1)(A)(ii).

Revenue Ruling 81-217, 1981-2 C.B. 217, describes a situation involving a private foundation making grants to an organization that is not a private foundation to provide scholarships only to children of a particular employer. The organization that is not a private foundation evaluates the students according to its own criteria, including student performance on a qualifying examination. Since grant funds are distributed only to children of employees of a

particular company, students who receive scholarships are not selected "completely independently" of the grantor. Accordingly, any such scholarships awarded and paid after March 8, 1982, are considered to be individual grants under section 4945(d)(3), for which advance approval of grant procedures are required under section 4945(g).

Rev. Proc. 76-47, 1976-2 C.B. 670, sets forth guidelines for a private foundation conducting an employer related grant program to obtain advance approval of its procedures for conducting such a program under section 4945(g) of the Code. Sections 4.01 through 4.07 set forth eight conditions which a private foundation must meet in order to obtain advance approval of its procedures under section 4945(g) of the Code. Section 4.08 provides that a private foundation which makes scholarship awards to children of employees of a company, or to the employees themselves will meet this test if it limits these grants to 25% of all eligible applicants or 10% of all those shown to be eligible in any given year. Renewals of grants awarded in prior years will not be considered in determining the number of grants awarded in a current year.

Based upon the information submitted, and assuming your program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that your grants to C for the awarding of scholarship grants comply with the requirements of section 4945(g)(1) of the Code. Expenditures made in accordance with these procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3) of the Code, and as such are eligible for the exclusion from income provided for in section 117(a) of the Code to the extent that such grants are actually used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This ruling is conditioned on the understanding that there will be no material changes in the facts upon which it is based. It is further conditioned on the understanding that no grants will be awarded to your organization's creators, officers, directors, trustees, or members of the selection committee, or for a purpose inconsistent with the purposes described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one time approval of your system of standards and procedures for selecting recipients of grants that meet the requirements of section 4945(g)(1) of the Code. Thus, approval will apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions, that we intend to make available for public inspection, is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

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If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert Choi
Director of Exempt Organizations
Rulings and Agreements

Enclosure: Notice 437